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Want a job? Get ready for a credit check

H.J. Cummins, Star Tribune

October 3, 2004 CREDIT1003

In her six-month job search, Jessica Devin noticed more than a lousy market.

She discovered big interest in her credit history.

Devin figures that about 90 percent of the 300 applications she filled out for retail, hospital, temp agency and government jobs came with a permission form to run a credit check on her.

"It has been years since I was on this kind of job hunt, but I don't remember that coming up ever before," said Devin, 42, of Chaska, now a contract worker at the U.S. Postal Service.

She's right. Privacy advocates and employer groups say there has been an explosion in the use of credit checks for pre-employment screenings.

The practice is controversial. Privacy advocates say protections against misusing the checks are inadequate.

Employers say they'd be irresponsible not to make background checks as thorough as possible.

It's all part of several larger trends, experts say. There's more attention to workplace security after 9/11, and technology makes it easy to tap into personal records.

Also, a relatively new mini-credit check is being used as the jumping-off point for criminal background checks. It uses the report's seven-year record of an applicant's previous addresses to search for any local convictions.

Job applicants increasingly are expressing their displeasure at the checks, possibly because in a gradually improving job market they feel more free to speak up.

"Background checks exceed identity theft in inquiries to our hot line," said Tena Friery, research director at the California-based Privacy Rights Clearinghouse.

"The most common thing we see is someone is denied a job, and then they find out it was because of a background check made without their permission," said Robert Mather, president of [Pre-employ.com](#), an employment screening firm in Redding, Calif.

Credit checks have almost doubled in recent years, up from 19 percent of employers in 1996 to 35 percent last year, in a nationwide employer survey by the Society for Human Resource Management, a national trade organization. Criminal background checks have grown from use by

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51 percent of employers to 80 percent at the same time.

That doesn't mean employers are overusing pre-employment checks, Minneapolis attorney Ellen Sampson said.

"When my clients call me and ask what they should do about checks, we look at the specific job, what that person would be doing," Sampson said.

One reason behind the surge in credit checks might be the kind of openings that dominate the job market these days, some screeners said. They recommend credit checks for any job handling money -- including bartenders, waitresses, retail cashiers and secretaries with access to petty cash or a company credit card.

Besides, credit checks turn up bad secrets that employers don't want to miss, screeners said. At Background Information Services Inc. in Cleveland, president Jason Morris said all their searches -- which include work history, former salaries and education degrees -- turn up discrepancies for 56 percent of applicants.

They find unmentioned criminal convictions in 12 percent of their searches, Morris said.

"Now think about all the companies not doing background checks, who they're hiring," he said. "It's crazy."

The Fair Credit Reporting Act requires employers to get applicants' permission before running the check -- the form Devin signed so often. If they deny applicants a job based on the check, they must tell them that and give them copies of their reports.

Devin never heard that her credit history was behind any of the 300 jobs she didn't get. But she wonders.

Her credit history is spotty. Periods of unemployment set her back. Also, her daughter's illness in 1996 left her with \$60,000 in medical bills.

And she's now a contract worker at the U.S. Postal Service without benefits. "I will pay my bills, but I can only chip away at them," Devin said.

She objects to credit checks as the first order of business.

"Then employers know all this about me before they even meet me," she said.

She also believes there's an assumption employers make with those checks: that bad credit equals bad character.

"It doesn't make me less loyal or interested or able to do the job," she said.

Attorney Paula Brantner at the Workplace Fairness Program in San Francisco also worries that credit checks can unfairly hurt applicants' chances of getting hired.

"In the tight economy, when employers have many applicants to choose

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from, they're looking for ways to thin the pool," Brantner said. "And are companies really taking the time to distinguish between credit problems that do demonstrate irresponsibility vs. something someone had little control over, like medical problems, long unemployment or divorces?"

Credit histories are bad indicators of job performance because they reflect many events outside a person's control, according to a study published last year by the American Psychological Society in Washington, D.C., Friery at the Privacy Rights Clearinghouse said.

Devin also noted that credit reports can contain information employers are not allowed to ask for, information that can hint at everything from divorce to sexual orientation to ethnicity.

"Suppose the report shows I used to have a joint bank account and now I don't, and maybe that I had that account with someone named Susan or Linda?" Devin said. "And suppose it shows I bank at the Native American Credit Union?"

Criminal checks

But the vast majority of credit checks are the new mini variety, screeners said. Applicants sign the same form for both, so they don't know which kind of check is run.

The new version gets only what screeners call "credit header information" from credit reporting firms such as Equifax or TransUnion. They contain not a speck of financial information.

These smaller reports have date of birth, any names applicants have used and addresses for the past seven years.

It's the best way to check local court records, screeners said, because the United States has no complete national data base of criminal convictions. Otherwise applicants can hide parts of their histories simply by not listing all their addresses.

"The No. 1 reason employers are buying it is to run criminal checks off the names and addresses in it," said Troy Gerber at Verified Credentials in Lakeville. "It has nothing to do with the person's credit."

That's how Scott County used the credit-check form that Devin signed when she applied for a job there, according to county staffing coordinator Lori Huss.

"We don't do credit checks per se," Huss said. "We use a third party to do background checks that include employment, academic and county criminal records."

But some employers do deny jobs based on credit histories, and it's almost impossible to know when they do, Friery said.

"It's a big question mark whether employers, rather than going through the required reports, will simply say, 'Someone else was more qualified.'"

And while the applicant has the right to challenge the accuracy of a

credit report, that process would take a minimum of 30 days and an employer has no obligation to hold the job.

"There needs to be some kind of better remedies," Brantner said.

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